

## Massachusetts and the Mussolinization of America

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Official socialism has probably never been a threat in America, but the corporate state has. And is.

It all began in 1919 when ex-Marxist Benito Mussolini wrote the Fascist Party platform, calling for central planning through a “partnership” of government, business, and labor. By 1925 he was in total power.

Not all of Mussolini’s admirers were in Italy. The cover story of the *New York Times Magazine* for October 24, 1926, gushed:

The most approachable as well as the most interesting statesman in Europe. He is a voracious learner who never makes the same mistake twice. . . . The whole country is keyed up by his energy. . . .

The whole economic structure of the nation has been charted out in a graph that shows it as a huge corporation with the Government as the directorate. He explains it clearly and patiently, reminding you that he started his career as a teacher.

An earlier *New York Times* editorial (October 31, 1922) had explained:

In Italy as everywhere the great complaint against democracy today is its inefficiency. . . . Neither the failures nor the successes of (Russia’s) Bolshevik Government offer much of an example to the Western world. Dr. Mussolini’s experiment will perhaps tell us something more about the possibilities of oligarchic administration.

Although Herbert Hoover in many ways prefigured him, it was Franklin D. Roosevelt who first tried to create an explicit corporate state in America with his National Recovery Administration (NRA). With its fascist-style Blue Eagle emblem, the NRA coordinated big business and labor in a central plan, and outlawed competition. The NRA even employed vigilante groups to spy on smaller businesses and report if they violated the plan.

Just as in Mussolini's Italy, the beneficiaries of the U.S. corporate state were—in addition to the government itself—established economic interest groups. NRA cheerleaders included the National Association of Manufacturers, the U.S. Chamber of Commerce, the American Bar Association, the United Mine Workers, the Amalgamated Clothing Workers, and—above all—Gerard Swope of General Electric, who helped draft the NRA act.

Only the courage of the Supreme Court, which ruled that the NRA was unconstitutional, prevented the establishment of a fascist economy in our country. FDR denounced the “nine old men” and tried to pack the court with NRA proponents. But the American people, including most of his supporters, opposed the power grab, and he lost. That did not end the battle, however.

Today, there are many elements of a corporate state in Washington. But in Massachusetts, Michael Dukakis has come closest to actually establishing one. Wrote the *Washington Post* recently:

Corporate Massachusetts is in a *de facto* alliance with the state and a host of potentially conflicting interests, including . . . organized labor . . . , all of whom serve on agency boards and are also recipients of agency grants. . . .

Not only has Dukakis drawn these business leaders into what amounts to limited partnerships with state government, with the governor as the dominant general partner, but also these quasi-public agencies have formed a web of

financial arrangements with at least 3,000 corporations across the state. The state government effectively has been entrenched in almost every nook and cranny of the private sector.

The tools Dukakis used to create this alliance for central planning included a larger bureaucracy; subsidized loans, bailouts, and outright grants for big businesses; and guaranteed high wages for unions.

Those on the Massachusetts gravy line include the insurance industry, especially John Hancock Mutual Life; high-tech corporations like our old friend GE, Digital Equipment Corp., and Raytheon; and banks like the Bank of Boston. Each is represented on the boards of the Massachusetts Capital Resources Corp., the Massachusetts Industrial Finance Agency, and similar corporate-statist entities. And all march in profitable lock-step with the state. The only losers are taxpayers, consumers, and businesses without political connections.

The *Post* notes that Dukakis's policies "diverge sharply from the more traditional type of partisan politics emphasizing ideological splits between business and labor."

With guaranteed profits, corporations are partially liberated from consumer control. In return, they agree to pay the above-market wages that labor unions demand, and otherwise cooperate with the state. But what will be the economic result?

In 1920, Ludwig von Mises showed in "Economic Calculation in the Socialist Commonwealth" that there can be no rational central planning.

In a free market, consumers' spending decisions tell producers what and how much to produce. If consumers prefer Fords to Chevrolets, they tell Ford Motor Company to make more cars by buying more of them, thereby driving up the price of Fords relative to Chevrolets and attracting more investment to Ford. Because of the free market in capital goods, Ford is able to devote more resources to production than Chevrolet.

This process enables firms to rationally calculate the “structure of production” from the beginning to the end, to use scarce resources to satisfy the most highly valued goals of consumers.

Mises showed that under socialism, economic calculation is impossible. Since capital goods are owned collectively, they cannot be bought or sold and therefore can have no money prices. Therefore, the desires of consumers cannot be served, *no matter what the intentions of the producers*. This is why the Soviet shoe factory is incapable of making the styles, colors, or numbers of shoes that consumers want, *no matter how hard the managers try*.

But Mises’s argument must also apply to the corporate state. To the extent that some corporations enjoy state-privileged positions, they are partially protected from competition. Their capital goods have money prices, unlike under socialism, but they are not *freely* set prices. Thanks to state favoritism, competitors have less opportunity to bid those resources away, so consumers’ desires cannot be fully served.

We saw an example of this with the Chrysler bailout. Consumers sought to divert resources from the Chrysler Corp. to other car manufacturers, which produced better products at better prices. So in response to the pressure group composed of Chrysler executives, union workers, large shareholders, and big bank creditors, politicians gave the company massive federal financing. Consumers wanted rational economic calculation, but the government prevented it, thereby making the rest of us poorer.

The bigger the corporate state becomes, the less consumers’ desires will be satisfied. As Misesian analysis shows, the corporate state must be an economic failure, *no matter what miracles are claimed*. Tragically, fascism is all too often a political success.